



# Delivering Better Services for Citizens

A review of local government  
procurement in England

Sir Ian Byatt

Sponsored by the Department for Transport, Local Government and the Regions  
and the Local Government Association

June 2001

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# Preface

by Sir Ian Byatt



In summer 2000 the local government Minister and the chairman of the Local Government Association asked me to chair a taskforce to review the state of procurement skills and practice in local government in England.

This report examines the emerging opportunities for local authorities to develop and improve their procurement practices. It sets out 39 specific recommendations, directed to local and central government, private suppliers and professional bodies.

The members of the taskforce have been drawn from across the public and private sectors. They were chosen for their personal skill and expertise. I am very grateful to all of them for their help, both for their individual contributions and for their collective contribution to the message of our report.

We are all deeply indebted to:

- our Secretary, Stephen Edwards of the DTLR, for expertly guiding our thoughts and elegantly drafting our report;
- Lourdes DeBarry from the LGA, for successfully organising our work and marshalling the evidence submitted to us;
- Demelza Birch of the DTLR for skilfully carrying out an authoritative study on local government procurement (*Local Authority Procurement: A Research Report*);
- Ian MacFadyen, our consultant, for helpfully assisting with case studies, work on consortia and providing useful insights.

I commend this report and its recommendations to all who strive to improve the delivery of local services to citizens in affordable ways.

A handwritten signature in black ink that reads "Ian Byatt". The signature is written in a cursive, slightly slanted style.

Ian Byatt  
13 June 2001



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# EXECUTIVE SUMMARY

## The opportunities

### THE CHANCE FOR A NEW DEAL

Local government has great opportunities to improve local services to citizens in affordable ways. The scope for working productively with the private and voluntary sectors is widening. Restraints on innovative and effective approaches to procurement are easing. Information technology enables a wider use of markets and opens up a range of new ways of delivering services. This report sets out practical ways to take advantage of these opportunities.

Local government has its own legal standing and its own democratic accountability. And within local government, councils vary greatly in size – from counties to large towns and cities to district councils – each with its own unique range of challenges. Local authorities have, nevertheless, much in common with each other. Our specific recommendations are designed to be adopted in ways that are sensitive to local conditions.

### BEST VALUE

Better delivery starts with well based decisions on what citizens want and what they can afford. The duty of Best Value is to put this into effect. Government wishes to expand the opportunities available to local people for service delivery. That requires diversity amongst suppliers and the way services are delivered. We support the effect of such a policy, which is to encourage a mixed economy.

To achieve Best Value, local government should decide pragmatically what to buy from the private or voluntary sectors, and in what way, and what to provide directly. This should be done on the merits of individual cases, from the point of view both of service users and council taxpayers, taking account of the quality of service. Decisions should be taken strategically, on the basis of costs and benefits. Elected representatives should look at the strategic development of services, at strategic options for their delivery and how it can best be financed and monitored.

### COMPETITIVE MARKETS

Greater use of competitive markets offers considerable scope for lower costs and better performance – as is well illustrated in the utilities and in the private sector. It enables suppliers to use private sector business practices to good effect, while allowing authorities to concentrate on the political task of deciding what services should be delivered and by whom. But, where markets are dominated by a few suppliers, authorities need to consider how their actions can both help market development and protect local choice.

There is now a much greater choice of supplier for many services and the scope for external procurement is expanding. Centres of excellence should offer local authorities support in approaching these markets. Smaller authorities will need to be more ready to collaborate with larger ones or to use the same supplier. Whether or not external suppliers are successful in bidding to carry out work for local authorities should of course depend upon whether they can provide services at a lower cost or of a better quality than can be provided in-house. The principles of good procurement also apply to the relationships with in-house teams and our conclusions are therefore directed at them too.

## **RISK**

Better procurement requires a new approach to risk. The key issue is not how risk should be allocated but how it should be managed. The trade-offs between risk and reward should be assessed, recognising that continuing in old ways carries its own risk. This should be coupled with strategies for dealing with what could go wrong and avoiding the culture of blame.

## **THE LOCAL ECONOMY**

Local government has responsibilities to local communities including promoting local economic development. Local business should be able to compete for work alongside contractors from outside the area. And local authorities should encourage and support them in doing this. But it would not be consistent with fair competition to give them an advantage, nor would it be in the best interests of service users. It may even be counterproductive, by reducing their ability to innovate and so to survive in the long run. Policies aimed at meeting social objectives should be legal, transparent and effective. Where a policy involves additional expenditure, specific costings should be included.

## **THE SPEED OF CHANGE**

The scope for better procurement, and with it the scope for better services, is widespread. But it will not – of course – happen overnight. Each authority will have its own priorities and these must be recognised.

Some local authorities have shown rapid progress in making changes, but over-ambitious targets would not be helpful. It is better to proceed steadily than risk failure through hasty actions. This should not be an excuse for inaction; but it is important not to lose what works well.

# The strategic response

## **A PROCUREMENT STRATEGY AND PLAN**

Better procurement should be an integral part of best value within every authority, as the achievement of best value depends on good procurement. The procurement function should have a much higher profile and be more strongly staffed:

- The procurement function should be the responsibility of a senior officer and be part of the remit of a member
- Procurement experts should guide any delegation of individual procurement to officers in service areas, to ensure that good practices are used and transaction costs properly controlled
- Robust and clear procedures should be set out for appraising and implementing large and complex contracts, drawing from current best practice

Each authority should draw up and publish its procurement plan which:

- implements the authority's forward plan for service delivery

- sets out the authority's likely demand for the supply of goods, works and services from outside suppliers, in broad categories, in the medium term (say the next 5 years)
- signals to suppliers the nature and scale of market demand

## **INCENTIVES AND STABILITY FROM THE CENTRE**

To give local government proper incentives for efficiency, central government must deliver greater stability in funding from national sources. This should cover capital allocations and specific grants as well as Revenue Support Grant (RSG) in line with the proposals in the Green Paper on Local Government Finance. This would bring significant benefits:

- local government could set out meaningful medium term procurement plans
- by enabling savings to be devoted to better services or lower taxes it would give local government a powerful incentive to efficient procurement

## **MAKING MARKETS WORK BETTER**

The markets for different kinds of local authority goods, works and services offer different challenges:

- Well-established competitive markets exist for many of the routine goods currently bought by local authorities. There is scope for improvements in procurement, particularly by reducing transaction costs. E-procurement has an important part to play.
- Markets for some local authority services have operated for a number of years. The markets for other services are at an earlier stage of development. They have great potential, but they need to be encouraged by both buyers and sellers. They need to be competitive, where suppliers respond to customers and where innovations contribute to better products.
- The markets for capital works, especially with long lead times, has received more attention, including studies on construction and PFI projects and a number of initiatives to support these.

In markets for goods and commodities, e-procurement could substantially reduce transaction costs. There should be greater use of purchasing cards and more use of electronic catalogues. In time, more sophisticated means of trading will develop as IT companies compete for business. In most local authorities, incremental progress will be preferred to big changes. The best should not be the enemy of the good.

Where there are new markets for large and complex services, local authorities will need new capabilities of contract design and contract management. To design good contracts, local authorities:

- need up to date information on potential suppliers and on innovation in supply
- should be ready to indicate and discuss their requirements with potential suppliers at an early stage and to understand suppliers' commercial requirements
- should acquire well based information on innovative ways of designing contracts, arranging tenders and managing and monitoring delivery

- should look at the costs and benefits of projects over their lifetime – capital costs are only one part of the picture
- should be ready to draw up contracts that allow for changing circumstances
- need information to be confident that markets are sufficiently competitive for long term contracts to be viable options

To act as intelligent clients over the life of a contract, local authorities must:

- manage risks
- monitor progress to meet the aspirations of their citizens
- link stability to ability to meet changing circumstances
- understand not just the requirements of the service but also the market conditions affecting the contractor's business
- be prepared to accept responsibility for contract management and monitoring and to resource that commitment appropriately
- manage well the commercial relationship with the contractor

To be successful in these markets, suppliers must understand the nature of local government services and be willing to invest in developing capacity in these markets. They should:

- be ready to be open about costs, eg. by using open book accounting
- be able to show capability for continuous improvement throughout the period of the contract
- understand the priorities of service users and stay informed about changes in these priorities
- be able to respond to changing requirements in long term contracts, including variations resulting from changes in political control
- be adequately equipped, operationally and financially, to surmount unanticipated difficulties
- understand the regulatory, financial and political constraints that affect local authorities

Both the local authority and supplier need to have an open and robust approach to commercial relationships. Proper attention should be paid at an early stage to considering how risk should be managed and the respective roles which authorities and suppliers should play. Decisions on the best management of risks should determine its allocation between authorities and suppliers. All must accept that the incidence of risk will affect tender prices.

To allow for changing circumstances, long-term contracts must:

- contain provisions for changes in the form of agreed processes, both within the authority and between the authority and the supplier
- satisfy the reasonable expectations of suppliers concerning the consequences of such changes for costs and remuneration

## **TENDER DESIGN, TENDER EVALUATION AND CONTRACT MANAGEMENT**

Success in long term contracts depends on good contract design and contract management:

- costs should be estimated over the life of a project or contract
- capital costs should be annuitised or all costs of alternative methods of provision should be set out as present values
- outcomes should be specified as clearly as possible at the outset

Local authorities should explore with potential suppliers:

- alternative ways of delivering outcomes to encourage imaginative solutions
- trade-offs between better quality delivery and higher costs

Local authorities should draw up specifications:

- where relevant and to the extent possible, in terms of outcomes (what is to be achieved for citizens) or outputs (deliverables)
- widely rather than narrowly, to encourage suppliers to be innovative in delivering outcomes

Local authorities should, whenever relevant:

- monitor quantitative delivery of outputs (deliverables) and outcomes (eg user satisfaction), as well as inputs (such as expenditure or items purchased)
- link performance on big contracts with delivery of outcomes for citizens.

Local authorities should ensure they will have sufficient resources or technical capability to monitor any targets they include in contracts.

## **WORKFORCE ISSUES**

A motivated and skilled workforce is crucial to the delivery of quality services. Good procurement must take into account the ability of a contractor or in-house provider to provide staff with the qualities necessary to do the job well. Flexibility in working practices is essential to better delivery of services. In turn, the provision of better services offers opportunities to individual workers. The approach adopted in the public sector to TUPE has reduced concerns amongst existing staff who transfer out of the public sector, although we recognise that there is concern about the terms and conditions of those subsequently employed on local authority work.

Staff employed by private contractors on local authority contracts to provide services to local authorities now have opportunities to remain within or to join the local government pension scheme. Local authorities and contractors should understand and make best use of these provisions.

Handling these issues will be more straightforward when employees have been fully engaged in the process of working up options for improved service delivery and in their appraisal. At the same time potential suppliers should devise packages of work and remuneration that are designed to incentivise as well as improve productivity.

## Implementation

### INFORMATION

Local authorities, and their suppliers, need better market information across the board. This cannot be delivered by one central source. A number of different approaches are needed, including:

- a national forum to broker a dialogue between local authorities and suppliers on matters affecting the wider market
- better systems of information exchange on markets and on the future buying intentions of local authorities

### INTERNAL INFORMATION SYSTEMS

Authorities should improve the linkages between procurement and their accounting systems and between procurement and their systems of performance measurement. Better IT systems would help, but should be carefully evaluated before implementation.

### LARGE/COMPLEX PROJECTS

Large single supplier contracts for the delivery of complex services have high risks. Local authorities should follow the Gateway model developed for central Government, adapted to suit the particular circumstances of local government.

### LEGAL ISSUES

European public procurement rules do not always encourage good procurement, but local authorities can find ways to follow good practice within the current regulations. We support the Government in its efforts to make the rules more flexible, but meanwhile local authorities should not use the current rules as an excuse to avoid innovation.

Central government should provide more guidance to local authorities on the interpretation of national and EU rules affecting procurement, including examples of successful innovation in procurement within the rules.

Local authorities' standing orders should be designed to emphasise positive outcomes rather than simple compliance. Local authorities should learn from the best of these.

## TRAINING

Training is needed for all levels, including:

- members and senior officers
- professional procurement staff
- purchasers in decentralised units

Training is particularly needed to support strategic procurement issues. This should cover:

- devising a procurement strategy
- appraisal of options
- definition of outputs and evaluation of outcomes
- project management

The LGA, Improvement & Development Agency (IDeA) and the Local Government Employers Organisation (EO) should take the lead in drawing up a prospectus for procurement training, in consultation with other interested bodies. It should consider the potential for joint delivery with the Office of Government Commerce (OGC) and other bodies.

## BUYING CONSORTIA

The local government buying consortia have been very useful for buying standard commodities but so far have not proved very suitable for joint procurement of services. They are under threat from e-procurement, from devolved procurement in schools, and from the growth of service contracts which include goods provision. They will need to change in structure and business methods to play a significant role in the future pattern of local government procurement. They also need to be more transparent in the way they operate and report on their performance.

## FINANCIAL SUPPORT

Pump-priming finance from central Government will be necessary to support some of the recommendations in this report such as Gateways, training, market information and centres of excellence. This should be designed to be short term. If products and services add value, users will be willing to pay for them.

Care should be taken to avoid incentives which distort the market by making one procurement method or approach disproportionately attractive. Procurement options should be considered on their own merits. Money should be directed to support outcomes rather than inputs or particular techniques. There would be benefits in rationalising and consolidating the existing funds.

Central government should provide greater stability in local government finance and opportunities for local authorities to retain the savings from efficiency gains. This will allow local authorities to plan ahead with greater certainty and will provide incentives to better performance.

# RECOMMENDATIONS

## The procurement function within an authority

### ALIGNING PROCUREMENT AND BEST VALUE

1. Procurement expertise should be integrated into best value reviews and represented in every local authority on the body which oversees best value. (Pg 21)
2. Best value reviews should incorporate a wide-ranging approach to a local authority's key strategic objectives and be aligned to outcomes rather than the existing patterns of service provision. (Pg 21)
3. Local authorities should adopt policies which ensure the effective involvement of staff in service reviews and in the procurement process. (Pg 47)

### DEVELOPING A CORPORATE PROCUREMENT FUNCTION

4. Local authorities should set out their procurement strategy in a document which includes principles and information on current and planned activities. This should be regularly reviewed and updated. (Pg 24)
5. Local authorities should develop a corporate procurement function to collect management information, oversee devolved buying, co-ordinate training and act as an internal source of expertise. (Pg 25)
6. Smaller local authorities without the resources to set up a corporate procurement function should work with others to share resources. The Local Government Association (LGA) should work with the private sector to build up centres of excellence available to such authorities. (Pg 25)

### REVIEWING CURRENT PRACTICE

7. Local authorities should review their procurement structures and processes as part of the best value review programme. (Pg 25)
8. Local authorities should, at an early stage, map their procurement activities using techniques such as a low/high risk and low/high value matrices. They should identify the areas where procurement resources can have most impact and the appropriate skills and techniques for each type of procurement. (Pg 26)
9. Using the analysis set out in recommendation 8, local authorities should seek to aggregate demand and reduce costs by setting up central contracts for commonly used items and by requiring consolidated invoices. (Pg 26)

### ENGAGING MEMBERS

10. Elected members should take a strategic role in securing quality outcomes. This should include scrutinising the procurement processes and monitoring the outcomes of procurements. There should be clear political responsibility for procurement with appropriate training. (Pg 27)

## IMPROVING REGULATIONS

11. Local authorities should review their standing orders to ensure they promote efficient and effective procurement whilst maintaining safeguards of probity and good governance. Standing orders should be used positively used to encourage good practice. Changes to standing orders should be accompanied by an effective education programme. (Pg 40)
12. The Audit Commission should guide and train auditors and inspectors to support a strategic approach to procurement. This should emphasise a risk-based approach and aim to equip auditors and inspectors to deliver effective scrutiny in a mixed economy of service provision. The Audit Commission should continue to review its experiences of significant and large procurement exercises and disseminate the lessons learnt from them. (Pg 41)
13. To help local authorities, the Audit Commission should clarify the roles of inspectors and auditors in relation to procurement and seek to co-ordinate their activities locally. (Pg 41)

## BUILDING CAPABILITY

14. Each local authority should identify all those engaged in procurement within the organisation and identify the skills needed in each post across the authority. It should set out a strategy to meet these needs, including recruitment of suitable staff, training, and ways of retaining trained staff. (Pg 48)
15. The Improvement & Development Agency (IDeA) and the Local Government Employers Organisation (EO) should lead on developing a suite of training programmes. This should particularly be developed in partnership with the Chartered Institute of Purchasing and Supply (CIPS) and the Society of Purchasing Officers in Local Government (SOPO). This should build on the work done by the Office of Government Commerce (OGC). (Pg 48)
16. Pump-priming funding should be provided to support the development of training programmes and to subsidise costs of local government staff who use the courses. This could be provided through the IDeA or EO as part of the annual settlement or through the funding referred to in recommendation 18. (Pg 48)

## USING E-PROCUREMENT

17. Local authorities should increase their use of simple forms of e-procurement such as purchasing cards and BACS payments. They should adopt a modular approach to the implementation of e-procurement solutions. (Pg 50)

## FUNDING IMPROVEMENT

18. Government should consolidate its funding for improvements in local government's capacity into a single fund, designed to provide both revenue and capital support on a pump-priming basis for key priorities. Such a fund could usefully absorb the resources currently made available in support of PFI projects so as to allow a wider range of partnership options related to outcomes to be pursued. (Pg 51)
19. Government funding for e-solutions (such as Local Government Online) should be used to support the development of a variety of different e-procurement models in local government. Projects should be designed to encourage joint working between local authorities. (Pg 50)

## Making markets work better

### GATHERING AND SHARING INFORMATION

20. Local authorities should identify the information they need about the markets for local authority goods, works and services. The LGA, together with the IDeA and the 4Ps, should lead in devising better systems of information exchange on these markets, in consultation with the private sector. (Pg 28)
21. Each local authority should produce a prospectus for suppliers. This could usefully be adapted from the procurement strategy document described in recommendation 4. It should include the significant items which the council expects to buy in the future, with an indication as to how and when it will procure them. (Pg 28)

### DISCUSSING AND RESOLVING MARKET ISSUES

22. A joint national forum, convened by DTLR, the LGA and the CBI, should broker a dialogue between local authorities and suppliers. Matters affecting the wider local authority market should be raised and resolved in this forum. This should be underpinned by an open dialogue, conducted through a variety of media such as workshops, web enabled discussion groups, training and development opportunities and case studies. (Pg 28)

### BUYING CONSORTIA

23. Buying consortia should publish annual accounts and performance information which is sufficient to allow local authorities to make informed decisions. (Pg 43)
24. Buying consortia should review their services and their structures in the light of the need to retain and win new business in a competitive environment. They should pay particular attention to meeting the needs of smaller councils. (Pg 43)

## Tender design, tender evaluation and contract management

### DESIGNING AND PLANNING A PROJECT

25. A project plan should be drawn up at the beginning of each procurement exercise, setting out all the strands of work, how they will be undertaken and the times for their completion. (Pg 34)
26. The LGA and DTLR should explore how a Gateway project review process can be developed to support local authorities who are involved in major, complex or high risk projects. It should include a strategy for providing high quality project review teams with an understanding and experience of the commercial sector. It should take advantage of the work done by OGC. (Pg 39)
27. Local authorities should, in conjunction with suppliers, rationalise their procurement processes, eg by using common documents and pre-qualification processes or by using websites to exchange information. (Pg 29)

## MANAGING RISK

28. Each local authority should develop a corporate strategy for managing risk which recognises the trade-offs between risk and reward. That strategy should be applied to individual procurement decisions. (Pg 31)
29. The Audit Commission should continue to develop good practice on risk assessment for auditors and inspectors which supports a balanced view of the risks and benefits of various procurement techniques. (Pg 31)

## ASSESSING BIDS

30. Local authorities, with the support of the IDeA and other organisations, should develop evaluation criteria which incorporate quality and whole life costs. The criteria chosen should not detract from the need for clear and prioritised objectives. They should be agreed in advance and should be published, transparent and auditable. (Pg 35)

## CONTRACT MANAGEMENT

31. The project plan for all major procurements should include a requirement for client managers to be recruited or receive training and development prior to contract award. It should specify the skills needed by the client managers. Wherever possible, client managers should be party to the negotiation of the contract. The skills needed by client managers should be discussed with potential service providers. (Pg 37)
32. Suppliers should provide managers who are experienced or trained to understand the local authority environment. (Pg 37)
33. Suppliers should be prepared to adopt an open book approach to the contract in complex contracting environments where change is likely. The DTLR-led R&D programme 'Supporting Strategic Service Delivery Partnerships in Local Government' should look at the definition of open book and its use. (Pg 38)
34. Suppliers should help local authorities by publishing data to support performance measurement (though where they have legitimate commercial concerns about confidentiality, these should be respected and assured). This issue should be considered by the joint national forum. (Pg 38)

## APPLYING AND IMPROVING LEGISLATION

35. Government should give a clear lead on how intelligent procurement might be achieved within the European public procurement rules. (Pg 42)
36. Changes are required to the European public procurement rules to simplify them and make them more flexible. Changes should support the setting up of framework arrangements and greater use of discussion and negotiation. (Pg 42)
37. Central government should use the opportunity presented by the recent review of legislation on partnership working to relax restrictions which prevent effective joint delivery of goods, works and services. (Pg 43)

38. Local authorities and contractors should understand and make best use of statutory and non-statutory arrangements to protect the legitimate interests of staff during transfers, including TUPE regulations, the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector and the provisions to allow admission to the local government pension scheme. (Pg 47)
39. Central government and the LGA should set up arrangements to monitor the effects of TUPE and local government pension scheme regulations which particularly look at what happens on subsequent retender of contracts. (Pg 47)

# CHAPTER 1

## The opportunities

### Why now?

- 1.1 In the summer of 2000 the local government minister and the chairman of the Local Government Association asked Sir Ian Byatt to chair an independent taskforce to review the state of procurement skills and practice in local government in England in the light of the duty of best value and its objective of continuous improvement. The terms of reference highlight a prospect that changes to the legal framework for local government and rapid developments in the wider markets for local authority services should offer an opportunity for better procurement – and that better procurement could bring a substantial improvement in the quality of services. However, the terms of reference recognise that improvements will not be achieved without change.
- 1.2 The taskforce agrees that local government has great opportunities to improve local services to citizens in affordable ways. The scope for working productively with the private and voluntary sectors is increasing. Restraints on innovative and effective approaches to procurement are easing. Information technology is enabling a wider use of markets and opening up a range of new ways of delivering services. If local government can become confident in dealing with the wider markets and can approach them as an intelligent client armed with good techniques and market information, there is real scope for a step change in the quality and cost-effectiveness of local services. This report offers practical ways to move in this direction.
- 1.3 The taskforce believes that adoption of the report's recommendations will be a significant help to local authorities in meeting their best value duty of continuous improvement in the economy, efficiency and effectiveness of all the services they provide. Good procurement can raise the quality of services for citizens, by buying goods, works and services that better meet their needs. Good procurement can save money, which local authorities can choose to reinvest in other areas or which can be used to reduce council taxes. How and where local government spends its money will also have a substantial impact on the local and national economy.
- 1.4 Every local authority is different in structure, size and policies. They are democratic bodies with their own responsibilities to their citizens. It is not possible or desirable to set out a prescriptive set of rules for all to follow. However, local authorities also share many characteristics: there are duties and obligations common to each, including a duty to provide efficient and effective services; local authorities buy many similar items; and suppliers to them expect the same professional approach to procurement that they get from other customers. It is therefore possible to set out sensible recommendations and principles which can be applied in diverse ways to suit the needs of each local authority.

- 1.5 The report sets out principles which are applicable in general across local government procurement. Those with interests in specific service areas will want to consider how these principles can be best applied to their own circumstances.
- 1.6 The taskforce has adopted a broad definition of procurement, encompassing the whole process of acquisition of goods, services and works from the initial assessment of a business need through to the end of the useful life of an asset or end of a service contract. The terms ‘procurement’, ‘commissioning’ and ‘purchasing’ have been used within local government to refer to a range of different activities and applied to different products. Throughout this report we have used the term ‘procurement’ in a broad sense to include the purchase of goods, commissioning of services (as often used in the context of social services) and works procurements, and to encompass contract management as well as the process leading up to signing a contract. The review covers both acquisition from third parties and from in-house providers.
- 1.7 By this definition, the scope for good procurement is very wide, ranging from strategic partnerships for service delivery to the purchase of low value, high volume commodities. It comprises most front office delivery to service users and should also include back office functions, such as revenue collection and corporate services.
- 1.8 This broad definition is important. Procurement has traditionally had a low profile within local government and is often seen as a backwater, concerned with placing orders for stationery and other small items. This is seriously misconceived. It is now well recognised in the private sector that strategic procurement is a key tool in delivering value. Local government has to acknowledge the importance of procurement and seize the opportunity to raise its profile.

## The current picture

- 1.9 Local authorities have always procured substantial amounts of goods, works and services from the private and voluntary sectors, regardless of whether or not external procurement was required of them by government policy or statute. In this, they are no different from any organisation responsible for meeting complex needs effectively and efficiently. What drives this process is not so much a principled preference for one sort of supplier or another – private as against in-house for example – but the increasingly sophisticated demands of local people as customers of services or as local taxpayers, and the expanding range of solutions made available through organisational and technological change. Good procurement enables local authorities to bring these two strands together in a way that opens up opportunities and allows for local political choice. The procurement process therefore needs to build in opportunities for political as well as managerial choices.
- 1.10 Local authorities collectively spend large amounts of public money. Estimates of procurement spending vary quite widely, depending on the definitions used. Total non-pay revenue expenditure by local authorities in England for 1998/99 was £42.2 billion. Employee expenses were £32.5 billion. And capital expenditure was £6.6 billion. All-England estimates for different categories of expenditure within the General Fund Services Revenue Account have been attached at Annex C to this report.

- 1.11 A postal survey of all local authorities in England was conducted by DETR in summer 2000 to support the work of the taskforce. Case study research was also conducted in a small number of local authorities and buying consortia. This research has been published as *Local Authority Procurement: A Research Report* (referred to below as the *Research Report*.) It provides a detailed picture of current practice.

## Best value

- 1.12 The duty of best value requires local authorities to make decisions on what services should be provided and how much they should pay for them, after consulting service users and others with an interest, within certain national constraints. Without an effective procurement strategy a local authority will not achieve best value. A Best Value Performance Plan is required to incorporate a strategic view of how procurement will be used to help meet the council's objectives. Best value reviews should be directly linked to the procurement strategy of the council and incorporate procurement expertise.
- 1.13 Local authorities are responsible for ensuring that citizens get the services they want or need and are willing to pay for. They do not, however, need to deliver all services themselves. It may be better, because the service is better or because it can be provided more flexibly or more economically, for a service to be provided by a private or voluntary sector contractor, or in partnership with others, including other local authorities, the private sector or voluntary organisations. Best value makes clear that local authorities should consider all options for service delivery and should choose the best, based on a robust and challenging process. Good procurement practice is therefore at the heart of best value.

### RECOMMENDATION 1

**Procurement expertise should be integrated into best value reviews and represented in every local authority on the body which oversees best value.**

### RECOMMENDATION 2

**Best value reviews should incorporate a wide-ranging approach to a local authority's key strategic objectives and be aligned to outcomes rather than the existing patterns of service provision.**

## Extracts from the written evidence

### ON THE IMPORTANCE AND SCOPE FOR PROCUREMENT

Local government, as many other institutions, currently fails to understand the extent to which procurement pervades its organisations. This is because the activity is perceived in terms of acquisition of goods / services and the associated price (doing the deal), rather than a continuous process with identifiable costs through a supply chain. This failure to understand the impact of procurement means that supply chains are not managed effectively and staff are inadequately trained. *(Local Authority)*

One of procurement's key problems is people's obsession with stationery and furniture. Procurement will need to move away from routine purchases to a far greater involvement in service commissioning. The Best Value Review process may offer the key to highlighting procurement's contribution. *(Local Authority)*

Over the next five to ten years, if local authorities are to gain proper benefit from the increasing flexibilities available, procurement within this authority has to have a higher profile and become recognised as a more mainstream function. This is likely to mean the development of a strategic procurement unit and a decline in the ability of departments to procure what they choose. Such a unit would be both a centre of expertise for commercial type skills and a driver for establishing more corporate contracts. In itself, this sounds fairly simple to achieve, but the cultural change implications are considerable. *(Local Authority)*

It is a myth to think that all local authority functions are unique to their own area. All local authorities will need to address how to transform their citizens' experience of accessing the local authority; they will need to address how to re-engineer many back office functions which are common to local government. A payroll function is a payroll function whether carried out in Wigan or Wokingham. *(Professional support organisation)*

There should be less concern about who provides services and more concern about quality and customer responsiveness. This should lead to a more pragmatic approach to procurement and the engagement of the private sector in local government services. *(Supplier)*

### ON ALIGNING PROCUREMENT TO CORPORATE OBJECTIVES

No procurement project should be undertaken without members approving a business case within which is measured the stated contribution toward the Council's goals and objectives. These goals and objectives are set by the members in consultation with all the Council's stakeholders and relate to strategies the Council has for Best Value and the community, environmental matters, allocation of capital and revenue resource, asset management etc.

The members must identify their objectives to achieve wellbeing and appraise procurement policies against those objectives. The priority must be to develop a broad vision of what the shape of services needs to be and develop the configuration of the market and procurement tools to meet this. *(Local Authority)*

We need to tell business our requirements and vision for the future to allow them to include local government in their business portfolio and planning for innovation. *(Local Authority)*

### **ON MARKET INFORMATION**

Our current management information systems are inadequate. We don't readily know which contractors we are dealing with or how much we spend with them or how they perform. *(Local Authority)*

Most information is contained with the authority's financial management systems, which are geared towards financial and budgetary control. Procurement information is not easily extracted. This makes comparisons across the authority and with other organisations difficult. *(Local Authority)*

### **ON THE ROLE OF ELECTED MEMBERS**

Major service transformation will only occur when members – particularly leaders and cabinets – set the vision and objectives for services which they wish to procure and when they recognise procurement as a major strategic tool. *(Supplier)*

The procurement process should be an integral part of the delivery of the local political agenda, therefore it is as much the role of the procurement function to engage the politicians as it is for the politicians to understand how to become involved. *(Local Authority)*

The role of members should be to develop and agree a policy, to enhance the importance of the procurement function in the local authority concerned and to agree an officer structure to deliver the policy. *(Professional support organisation)*

## CHAPTER 2

# The strategic response

## Developing a procurement strategy

- 2.1 In many local authorities, procurement is driven by the annual budget and an emphasis on short-term savings. This will rarely achieve optimum results. Local authorities need to develop a procurement strategy which starts from a vision of how procurement will help the council meet its corporate objectives, including any broader objectives such as economic and social regeneration.
- 2.2 The procurement strategy should include general procurement principles and methods as well as updated information on the procurement activities of the council. Information which could usefully be set out in a strategy would include: the strategic aims of the authority and their relevance to procurement activities; an analysis of key goods and services and their costs; information on how goods and services are purchased; details of current contracts with renewal/replacement dates; recent and planned best value reviews; future procurement exercises anticipated by the authority; the performance of key suppliers; the structure and performance of the procurement function; skills and training needs; and issues of probity and good governance.
- 2.3 The statutory guidance published by DETR on how best value authorities could meet the requirements of Best Value (DETR Circular 10/99) already requires local authorities to develop a procurement strategy. The *Research Report* indicates that 27% of authorities have a formal, written procurement strategy in place and that 50% are currently in the process of drawing one up. A strategy such as that set out above, annually updated and incorporated into the Best Value Performance Plan, would meet this need and underline the interdependence of best value and a strategic approach to procurement.

### RECOMMENDATION 4

**Local authorities should set out their procurement strategy in a document which includes principles and information on current and planned activities. This should be regularly reviewed and updated.**

## The procurement function within a local authority

- 2.4 Most commissioning and procurement within local authorities is devolved to departments. However, many local authorities have recently begun to develop a stronger corporate procurement function. The *Research Report* shows that 39% of local authorities have a corporate procurement unit at present and that 40% of management boards include a chief officer directly responsible for procurement.

- 2.5 The corporate procurement function performs a range of tasks. It often negotiates contracts for common use across the council. Scarce specialist procurement skills are sometimes located in central units and made available to service areas as needed. In some councils the central procurement function monitors procurement outcomes across the organisation, gathering information about authority-wide spending and applying standard audit and costing measures and benchmarks. It may also impose standard processes and produce standard documents. In a few examples the corporate function organises procurement training and leads on professional development.
- 2.6 Local authorities need a strong corporate procurement function if they are to develop a strategic approach to their choice of service provision. This function should collect relevant management information on procurement across the organisation. It should have corporate oversight of procurement outcomes. It should establish training needs and competencies throughout the organisation. It should act as an internal source of expertise, identifying and disseminating best practice within the organisation. It should provide support to departmental buyers. It should ensure corporate objectives are incorporated into devolved buying decisions.
- 2.7 Smaller authorities may lack the resources to build an independent procurement function that includes all the aspects set out here. They will need to share resources with other local authorities and other organisations. Smaller authorities may join together to share resources, or they may look to larger authorities or other organisations to provide some support. The LGA should help by bringing together public and private sector procurement expertise in centres of excellence which local authorities can use.

#### **RECOMMENDATION 5**

**Local authorities should develop a corporate procurement function to collect management information, oversee devolved buying, co-ordinate training and act as an internal source of expertise.**

#### **RECOMMENDATION 6**

**Smaller local authorities without the resources to set up a corporate procurement function should work with others to share resources. The Local Government Association (LGA) should work with the private sector to build up centres of excellence available to such authorities.**

#### **RECOMMENDATION 7**

**Local authorities should review their procurement structures and processes as part of the best value review programme.**

## Identifying different types of spending

- 2.8 Many studies of procurement suggest that most of the big improvements in procurement performance can be achieved by looking hard at a small number of key areas. It is therefore important to distinguish between the different types of procurement activity and to concentrate expertise and resources on areas where they can have greatest impact.
- 2.9 The majority of transactions in most organisations are for low value high volume items, with a high proportion of resources used to support them. However this area will usually account for a small percentage of total expenditure. This pattern appears also to be true for local authorities.

- 2.10 In evidence, authorities have identified up to 40,000 different suppliers on their creditors' databases. A large metropolitan authority found that it processed 600,000 invoices in a year and that 75% of these were for less than £250. A London borough council estimated that 95% of its orders were placed with suppliers whose average annual order value is less than £5000 and that those suppliers whose annual order value was less than £5000 accounted for 6869 of the 7688 suppliers it used in a year. In many cases councils are paying multiple invoices to single suppliers for relatively low values.
- 2.11 Local authorities should consider the benefits from aggregating low risk/low cost items and buying them through central contracts or framework arrangements. This can increase leverage through bulk buying to get better prices. It can reduce the time spent by local staff selecting their own products, leaving them more time to spend on their main jobs. And it can lower the transaction costs in paying invoices by introducing systems that reduce the processing costs per invoice (such as purchasing cards and streamlined procedures) and by reducing the number of invoices through consolidation of invoices and by using fewer suppliers. However, if a central function cannot demonstrate added value it should avoid intervening and go for a simple local solution.
- 2.12 Procurement experts should concentrate on areas where they can add most value, usually where there is greatest expenditure and/or greatest risk. This will include procurements which are of strategic importance to the local authority, such as the procurement of large or complex services, for which project management skills are more valuable than traditional purchasing skills. It will also include the buying of energy, where specialist expertise may be needed.

#### **RECOMMENDATION 8**

**Local authorities should, at an early stage, map their procurement activities using techniques such as a low/high risk and low/high value matrices. They should identify the areas where procurement resources can have most impact and the appropriate skills and techniques for each type of procurement.**

#### **RECOMMENDATION 9**

**Using the analysis set out in recommendation 8, local authorities should seek to aggregate demand and reduce costs by setting up central contracts for commonly used items and by requiring consolidated invoices.**

## **Elected members**

- 2.13 The role of elected members in procurement varies within local authorities at present, but few members are actively involved in developing procurement strategies and in forward procurement planning. The *Research Report* shows that in only 13% of local authorities were elected members 'strongly involved' in the development of the procurement strategy. Case study research suggests that members' involvement is limited to ratification of the published strategy.
- 2.14 Political reform in local government, and in particular the introduction of cabinet style government and mayors, will have an impact on the part elected members play in procurement, both in their 'executive' and 'scrutiny' roles. For reasons of probity and of

good practice, it is not expected that elected members would take an active part in everyday procurement decisions. Their participation is needed at the strategic level, and in the design of large and complex procurements.

- 2.15 Elected members need to be much more closely involved in the development of their council's procurement strategy if it is to become a key tool in meeting the council's policy objectives. This would embrace: developing the strategic direction; possible involvement in the design and conduct of large or significant contracting exercises; and monitoring outcomes. Local authorities will need to set out clear roles for members in each of these important areas.

#### **RECOMMENDATION 10**

**Elected members should take a strategic role in securing quality outcomes. This should include scrutinising the procurement processes and monitoring the outcomes of procurements. There should be clear political responsibility for procurement with appropriate training.**

## Market capacity and market intelligence

- 2.16 A strong and competitive market for local government services will benefit local authorities and their citizens. It will tend to reduce costs and increase quality. An efficient market will also be to the advantage of suppliers.
- 2.17 There are well-established and competitive markets for many goods and services bought by local authorities. Markets for the provision of more complex services to local authorities and for services which have traditionally been provided in-house are often less developed, with fewer providers and a consequent lack of experience in their procurement.
- 2.18 Local authorities cannot carry out good best value reviews or make good buying decisions without relevant, accessible and timely information about the range of suppliers and their products. Suppliers also need to understand better the local government market.
- 2.19 Both sides have an interest in working together to improve the quality of information and the way it is communicated. Many local authorities only engage with private or voluntary sector suppliers once a decision to market test has been made or a best value review is underway, and therefore after material decisions on the nature and scope of services to be tendered or reviewed have been taken. There should be opportunities to take part in a mature debate about the 'art of the possible'. This debate should be regarded as a part of the strategic roles of both local authorities and suppliers.
- 2.20 As local authorities look to the market to provide increasingly complex and large scale services, so the importance of communicating their buying intentions will grow. Suppliers will need to invest and plan to meet local government needs. To do this they will need reliable information on the quality and size of markets. Local authorities will also need to recognise their role in building up confidence within suppliers by demonstrating that this market is open to fair competition. Local authorities should give suppliers early notice of what the council expects to buy in the future, and when and how it will go about buying these products and services. Suppliers will then be able to assess the future market size and the needs of individual authorities and plan to meet this.

- 2.21 Better systems for exchanging market information are needed. These should not seek to set up a central monopoly or to 'manage' the market. They should offer local authorities and suppliers new ways to publicise their procurement activities and the products and services they can offer. They should be designed to be simple and flexible. Attempts to build elaborate and highly mediated central information exchanges are not likely to be successful, given the very diverse markets within local government.
- 2.22 All clients and suppliers within the local government market also have a common interest in making sure the market is operating efficiently. From time to time issues arise which could act as constraints or otherwise reduce efficiency. One example is the requirement, generally imposed on suppliers who wish to seek admitted body status to the local government pension scheme, to provide a substantial financial bond. This requirement could potentially limit the capacity of the market both in the number of opportunities an individual company can accommodate and the size of organisation that is capable of putting up this bond. A solution might depend on developing an insurance product in place of the bond. This could serve a general market interest, so there is no compelling reasons why one company should bear the full costs.
- 2.23 Such issues affecting the wider market may not be material to individual local authorities in the short term, but can have longer term consequences for all. Individual local authorities, and individual suppliers, cannot tackle these issues in isolation. These wider interests in the long term health of the market need a forum where they can be identified and collectively dealt with.

#### **RECOMMENDATION 20**

**Local authorities should identify the information they need about the markets for local authority goods, works and services. The LGA, together with the IDeA and the 4Ps, should lead in devising better systems of information exchange on these markets, in consultation with the private sector.**

#### **RECOMMENDATION 21**

**Each local authority should produce a prospectus for suppliers. This could usefully be adapted from the procurement strategy described in recommendation 4. It should include the significant items which the council expects to buy in the future, with an indication as to how and when it will procure them.**

#### **RECOMMENDATION 22**

**A joint national forum, convened by DTLR, the LGA and the CBI, should broker a dialogue between local authorities and suppliers. Matters affecting the wider local authority market should be raised and resolved in this forum. This should be underpinned by an open dialogue, conducted through a variety of media such as workshops, web enabled discussion groups, training and development opportunities and case studies.**

## Reducing burdens on suppliers

- 2.24 Local authorities produce a wide variety of forms which suppliers must use to submit information during the procurement process. The *Research Report* found that 94% of local authorities maintain separate lists of approved or pre-qualified suppliers, covering a variety of policy areas including health and safety, equalities and financial standing. Contract terms also vary significantly between and even within local authorities for similar products. These variations increase the costs of the procurement process for both customers and suppliers.
- 2.25 Local authorities should consider the potential for using common documents and contract terms, where these are appropriate to their needs. Many local authorities are already working on projects to reduce unnecessary duplication of effort, either by using common documents or by making agreements to accept information submitted for another local authority as sufficient evidence for their own purposes. Where the European Public Procurement Directives apply, local authorities will of course need to ensure that these arrangements comply with the obligation to carry out their own assessment of prospective tenderers.
- 2.26 It is not clear that a national project to devise model contract terms or questionnaires to cover a wide range of circumstances would be helpful. Local authorities should be free to draw up documents which meet their own particular needs. Documents based on theory and which have not been tested often do not work well in practice. However, local authorities can often benefit from access to documents and terms which others have used and have found effective. It would be useful to collect these and make them available to others. Each local authority must however retain the responsibility of ensuring that the documentation it uses reflects the particular factual and legal circumstances of their procurement.

### RECOMMENDATION 27

**Local authorities should, in conjunction with suppliers, rationalise their procurement processes, eg by using common documents and pre-qualification processes or by using websites to exchange information.**

## Contract design and specification

- 2.27 As best value starts to drive a diversity of service provision, local authorities will need to develop more sophisticated tools to guide the procurement process. These tools should identify a number of key choices including:
- what to contract for and how best to bundle the work
  - the contract model, including the statement of requirements, the pricing mechanism, the duration and commercial terms and conditions for assets, employees and services
  - the relationship desired, on a spectrum from traditional contractor/client to various partnerships
  - the commercial form, including funding arrangements and corporate structures

- the procurement process, usually involving competition
  - transitional governance and operational management structures
- 2.28 The way in which a specification of requirements is defined can directly affect the behaviour of the contractor. Input specifications will focus the contractor on labour and resource costs; output specifications will require the contractor to manage the design and delivery of the task and to co-ordinate inputs; outcome specifications are particularly suitable where there is little in-house management capability and the service is comprised of multiple activities. Good outcome specifications are not easy to design, but they are particularly valuable in the complex service contracts which are becoming more common.
- 2.29 Complex service contracts also need to incorporate incentives for improvement and ways of dealing with changes in requirements through the life of the contract. The style of specification should allow for this by focusing on risk and reward structures as a basis for on-going negotiations. This will in turn often require adoption of open book principles for financial information and key operational assumptions.

## Risk

- 2.30 The development of more complex and longer term contracting requires a more sophisticated approach to the management of risk. Risks need to be identified, allocated and managed. Contract design and specification should incorporate a clear appreciation of the commercial treatment of risk. Risk management is a core skill for contract managers in their on-going relationship with the supplier.
- 2.31 Risk management is neither risk avoidance nor cavalier risk acceptance. There will always be trade-offs between risk and reward. Not changing carries its own risks. Good risk management techniques will allow councils to take advantage of opportunities for improvement while at the same time recognising what could go wrong and putting in place strategies to deal with this. The Audit Commission must support this in its approach to audit and inspection. The section 'Inspectorates and Auditors' discusses this in more detail.
- 2.32 Local authorities need to develop tools to identify and quantify risks and to decide who should carry them. Particularly in large contracts, risk management is key, rather than risk allocation. The parties should work together to control risk. Risks passed on to contractors will carry a price. Local authorities should decide which risks they can better manage themselves and which risks would be disproportionately expensive to pass on to the contractor.
- 2.33 Risks also need to be managed after contracts have been let. There should be a continuing relationship between authorities and suppliers. Risk analysis should be coupled with strategies for dealing with what could go wrong. Elected members and national politicians should focus on the proper management of risk and avoid contributing to a culture of blame.

#### **RECOMMENDATION 28**

**Each local authority should develop a corporate strategy for managing risk which recognises the trade-offs between risk and reward. That strategy should be applied to individual procurement decisions.**

#### **RECOMMENDATION 29**

**The Audit Commission should continue to develop good practice on risk assessment for auditors and inspectors which supports a balanced view of the risks and benefits of various procurement techniques.**

## Extracts from the written evidence

### ON OPTION APPRAISAL

Good service procurement happens best when resulting from a good Best Value service review. If a procurement is backed by an evidence-based option analysis involving consultation with service users, comparison with other organisations and a challenge to existing practices it is far more likely to provide a Best Value solution. *(Local Authority)*

Members should be presented with genuine choice ie several options including the “do nothing” option. Each option should be presented with advantages and disadvantages and its overall effect on the community/end user. Will it add value to Council services? *(Local Authority)*

### ON PLANNING A PROCUREMENT

Procurement planning isn't important – it is vital. *(Professional support organisation)*

The key to success is to ensure a structured approach that plans, step by step, for the activities necessary to cover identified need, through legal obligations (such as EU procurement directives), analysis of best value through quality and life-cycle costs, to satisfaction of the requirement. The process needs to be positively project managed and those responsible for procurement activity need early involvement in project planning. *(Local Authority)*

One of the main problems with procurement is that the procurement advisor is often only brought in after the procurement decision has been made and for the purposes of implementing it. It is recognised by those in the industry that the biggest impact that a procurement professional can have is at the beginning of the process, in the scoping and planning of the project. Bringing them in after these decisions have been taken is simply too late. *(Professional support organisation)*

Procurement rules can be perceived as “getting in the way of innovative delivery and contracting”, perhaps because all too often they are considered late in the procurement process and become an obstacle because they have not been publicised or understood at the outset. *(Local Authority)*

### ON SPECIFICATIONS

It is essential that the contract specification clearly sets out the obligations of both parties. Tenderers should be allowed to propose innovative partnering proposals but this must not detract from having a firm and understandable contract which clearly sets out each party's responsibilities. *(Local Authority)*

### ON RISK

Risk management is now written into the Code of Audit Practice and external auditors are seeking to engage with authorities early in the procurement process to ensure that an appropriate risk management framework is in place. A supportive attitude from internal and external auditors and inspectors towards innovation and risk management in procurement will be a further incentive to the development of new approaches. *(Professional support organisation)*

### **ON PRE-TENDERING**

The importance of the pre tendering stage on the specification cannot be overstated. What normally happens in local authorities is that insufficient time is spent on the beginning of the process, the scoping and planning of the job, meaning that these are not thought through. Then the procurement exercise starts, pushed on by urgency and in a rushed manner, and key parts of the process such as tender and evaluation are inadequately prepared. Local authorities should have the process completely planned before the advertisement is placed.  
(Professional support organisation)

### **ON TENDER EVALUATION**

The trend towards long-term contracts emphasises the critical importance of tender evaluation. Assessing the whole life cost of a contract becomes more complex the longer the contract period, whilst the need for accurate information on which to base best value decisions is ever more crucial. (Professional support organisation)

The duty of best value – now imposed on local authorities by virtue of the Local Government Act 1999 – will have the effect of promoting value-based procurement rather than the lowest price culture. But, it will be extremely difficult to dislodge the lowest price culture in the evaluation of tenders because it is still much easier to justify lowest price criteria rather than criteria that reflect value for money. (Professional support organisation)

### **ON CONTRACT MANAGEMENT**

The client to a contract needs to consider how the contract is to be managed at the start of the procurement process. This ensures that the way the contract is put together, tendered and evaluated will provide the necessary performance measures and the basis for effective future management. (Professional support organisation)

Innovation and efficiency can only be delivered when both parties play their parts to the full. A major change must be the development of clients to meet their changing role of management/drivers of innovation rather than quasi-providers not able to let go of their previous baggage. (Local Authority)

Although procurement staff manage the initial contracting process, the resulting contracts are passed over to staff with little or no procurement background (in most cases they were formally part of the externalised discipline). In many instances, Project Management/ Contract Management skills are learnt on the job without knowledge of best practice or appropriate training. (Local Authority)

The skills to manage a contract are different from those required to manage the in-house delivery of a service. Negotiation and inter-personal relationship skills become paramount and are often lacking in managers schooled in the traditional local government ethos. (Local Authority)

### **ON LEARNING FROM EXPERIENCE**

There are always lessons to be learnt from large or complex procurements. The lessons are on two levels, organisational and individual. The organisation must formally review the project and adjust its processes and procedures to avoid repeating mistakes or missing future opportunities. (Local Authority)

## CHAPTER 3

# The procurement process

## Preparing for a procurement exercise

- 3.1 Many suppliers claim that local authorities often start out on procurement exercises with little real idea of what they want or what assets they might be transferring. As a result, the process is frequently lengthy, requiring protracted negotiations, and in many cases abortive. Better preparation would bring substantial benefits. It can maximise the likelihood of buying the right products, reduce the scope for legal disputes, speed up the process, and reduce the bidding costs for suppliers. It would also increase the confidence of private sector suppliers, making it more likely that they will bid for future work.
- 3.2 Even relatively simple procurement exercises have a number of different strands of work with deadlines for completion. Larger procurements will often have further complexities added by EU procurement rules with their own timetables. All will benefit from solid preparatory work, good project management, and a project plan to work from.
- 3.3 A taskforce member's paper, *Preparation for Procurement*, offers useful advice on preparing for a procurement exercise and sets out the main issues which need to be dealt with before a contract can be signed. It is based on experience from a large number of procurement exercises and the problems that frequently arise. This paper will be put on the DTLR website with other taskforce documents.

### RECOMMENDATION 25

**A project plan should be drawn up at the beginning of each procurement exercise, setting out all the strands of work, how they will be undertaken and the times for their completion.**

## Tender evaluation

- 3.4 Local authorities and suppliers generally agree that significant procurement decisions should be based on lifetime costs and quality rather than initial price – and most local authorities say that they are taking steps to evaluate tenders on this basis. The term 'most economically advantageous' tender is widely used. However, quality and lifetime costs are not as easy to measure as initial price. It appears that, whatever the good intentions, tender price often ends up as the key factor in awarding a contract.
- 3.5 Local authorities need to develop better techniques to measure quality and lifetime costs where these are relevant to the product being procured. There needs to be a recognition within each authority's standing orders and audit procedures that lowest tender price is not always the best option – though of course where there are no significant variations in quality or lifetime cost, lowest price will remain the best value option. And there needs to be a change in the budget-led culture which drives procurement in many councils, where short-term savings from the lowest tender price are allowed to outweigh higher long term costs.

- 3.6 Techniques to measure lifetime cost and quality must be robust and objective to retain confidence in the integrity of the procurement exercise, particularly if there is an in-house bid in competition with external suppliers. Recent work under the Rethinking Construction initiative has concentrated on this need to move to quality and lifetime costs and offers useful advice on how this can be introduced in the specific area of works procurements.

#### RECOMMENDATION 30

**Local authorities, with the support of the IDeA and other organisations, should develop evaluation criteria which incorporate quality and whole life costs. The criteria chosen should not detract from the need for clear and prioritised objectives. They should be agreed in advance and should be published, transparent and auditable.**

## Supporting social objectives

- 3.7 Good procurement will play a positive role in meeting the needs of specific groups within the community, including those who need most support. This can be done most effectively by good contract design and specification and by developing a corporate procurement strategy which will deliver the objectives of the authority, including its social objectives. In this way, the money spent by the local authority will produce maximum benefits.
- 3.8 In deciding on the provision of goods, services and works, local authorities may wish to take account of wider objectives such as protection of the environment or encouragement of local businesses, support for the local economy and local employment. The *Local Government Act 2000* gives councils new powers to promote or improve the economic, social or environmental well-being of their area. Local authorities also have a duty to promote good race relations and community safety. Local authorities should develop methods that allow non-financial or performance based criteria intended to meet such objectives to be clearly defined and incorporated into an objective evaluation process, within the restrictions imposed by domestic and international law.
- 3.9 Policies aimed at meeting social objectives should be legal, transparent and effective. Where a policy involves additional expenditure, specific costings should be included. Local citizens can then understand what is being done on their behalf and can influence decisions through the democratic process. Elected members will also be in a position to take informed decisions on costs and benefits.
- 3.10 Pursuit of wider social objectives should not be allowed to lead to lack of focus or fudging of objectives. Unless the objectives are clear, procurement will be neither effective nor economical. Local authorities should consider carefully the effectiveness of policies which bring into the procurement process considerations beyond those directly related to the goods, works or services being procured. Distorting the procurement process to favour specific suppliers will often have a cost to the community as a whole which is disproportionate to the benefits derived by a small number of people. Longer term benefits to the local community are usually best served by using procurement to achieve value for money and to support an open and competitive local economy.
- 3.11 Local authorities in any case need to take account of legal restrictions on the extent to which procurement can be used to support social objectives. Restrictions are imposed by the *Local Government Act 1988*, which prohibits consideration of 'non-commercial

matters', broadly defined as those not directly relevant to the performance of the contract. EU rules prohibit actions which would damage fair and open competition or equality of treatment between tenderers. And the *Competition Act 1998* places restrictions on preferential treatment and constraints on trade.

- 3.12 Goods, services and works which have benefits in reducing adverse impacts on the environment often appear to have a price premium. The *Research Report* notes that 81% of local authorities make reference to environmental considerations in specification and that 53% do so in contract terms and conditions. But evidence from suppliers offering a range of products, including some branded as having a sustainability advantage, is that local authorities will usually buy the product with the lowest tender price, and that this is not usually the 'sustainable' product. However whole life costings may demonstrate that some products which contribute to sustainable development will also have an economic advantage over other products.
- 3.13 Local authorities should help local businesses to compete effectively in a fair and open market. Councils should tell local businesses what they want and expect from suppliers. Councils should also give thought as to how they package contracts to ensure that this does not unnecessarily restrict opportunities for local businesses to compete for the work. Local Chambers of Commerce and Business Links offer fora for developing better contacts with the private sector locally.

## Contract management and the intelligent local authority client

- 3.14 Local authorities have always bought in some goods and services and know that they do not need to deliver everything themselves to ensure that products meet proper quality and service levels and fit local users' needs. However, some local authorities are concerned that the trend towards large and complex, longer term service contracts will make it more difficult to be confident that a service can respond to the changing needs of local people over a period of perhaps five or ten years or even longer. New and enhanced contract management skills are required for this form of contract, so that managers are more familiar with a much wider range of commercial and service issues.
- 3.15 The contracting process should require client managers to be recruited or receive training and development prior to contract award, so that they have an understanding of contracting in the environment they are responsible for managing. It is not enough to have provided the in-house service; this does not necessarily prepare the client manager for the level of business understanding required to manage a commercial relationship.
- 3.16 An effective local authority client needs a clear understanding of its contractor's business, both in relation to the individual contract and the wider pressures that may affect that contract. Many conflicts between the public and private sector are created by a lack of understanding of the other's point of view and an inability to judge the reasonableness of the point.
- 3.17 Another frequent source of conflict is a mismatch between the expectations of end users for a level of service and the terms of the contract. The problem is exacerbated by the trend toward more output/outcome styles of contracting where the method of delivery is not specified in detail. This mismatch can potentially cause significant harm to the

reputations of service providers, making it more difficult to attract providers into the market. The client manager needs to manage expectations to a level that reflects the terms of the contract and be clear about dissatisfactions arising from procurement decisions as opposed to non-performance. Potential suppliers also need to be clear when tendering as to what levels of performance are achievable over the contract. This requires the local authority to provide full information on the existing position and on material changes likely over the life of the contract.

- 3.18 As contracts become more complex and longer, the need to change the requirements of the contract is more likely. PFI contracts tended to draw from past experience in the construction industry where contracts were designed to limit variations to the initial contract; in a service contract this is neither appropriate nor possible. In the wider contracting environment one of the client manager's core roles, and therefore key skills, is to manage the process of change in an equitable way, balancing the spirit of the relationship with the rights and obligations of the contract. Recent trends in contracting illustrate a trend toward a more collaborative style of relationship, where the public and private sector engage in a venture to further mutual interests. This is a less specified form of relationship, requiring a large element of business skill on both sides. The new style of client manager will need a strong set of general business skills and should be empowered to make major decisions on behalf of the authority.
- 3.19 Performance against key indicators, linked to payments for service, is becoming a standard feature in most major contracts. Contractors will need to be prepared to adopt an 'open book' approach in these longer term contracts where change is likely. External benchmarking exercises are also becoming more common. As both the private sector's level of earnings and the authority's payment for services are likely to be linked to results, it is critical to the relationship that client managers are able to source and interpret information effectively.
- 3.20 Local authorities must also maintain sufficient knowledge to act as an intelligent client at retender of a contract. There is otherwise a risk that they will be over-dependent on the existing contractor for advice at this point.

#### **RECOMMENDATION 31**

**The project plan for all major procurements should include a requirement for client managers to be recruited or receive training and development prior to contract award. It should specify the skills needed by the client managers. Wherever possible, client managers should be party to the negotiation of the contract. The skills needed by client managers should be discussed with potential service providers.**

#### **RECOMMENDATION 32**

**Suppliers should provide managers who are experienced or trained to understand the local authority environment.**

### RECOMMENDATION 33

**Suppliers should be prepared to adopt an open book approach to the contract in complex contracting environments where change is likely. The DTLR-led R&D programme ‘Supporting Strategic Service Delivery Partnerships in Local Government’ should look at the definition of open book and its use.**

### RECOMMENDATION 34

**Suppliers should help local authorities by publishing data to support performance measurement (though where they have legitimate commercial concerns about confidentiality, these should be respected and assured). This issue should be considered by the joint national forum.**

## Large, single-supplier service contracts

- 3.21 A number of authorities have recently made contracts with a single supplier to provide a wide range of services over a longer period. The local authorities involved in these deals expect them to bring substantial benefits in capital investment, revenue savings and improved services. They could also carry significant risks. This is a new market and there are currently a small number of suppliers competing for this business. There is a possibility that the market could be dominated by a few providers. It will be in local authorities’ best interests if a competitive market can be developed with a range of suppliers.
- 3.22 Cultural fit and the quality of the relationship between client and contractor is considered very important by both local authorities and suppliers in these deals, as they are based on close relationships and a higher degree of dependence than some traditional service contracts. They can also include delivery of core services such as education, which are directly related to core values. Cultural fit may however be hard to guarantee over the life of a project; a private company can be sold at any time or a new management policy introduced if a contract is not yielding the returns anticipated. Cultural fit may also be a product of personal relationships between the senior officers of both sides involved in negotiations; these people are likely to be replaced during the life of the contract. Local authorities should specify in the tender the nature of the interface with the provider (e.g. one client manager making decisions or local negotiations with service users), the style of behaviour and the governance structure of the relationship (eg partnership boards).
- 3.23 The procurement of these services has usually been a long and complex process, proving expensive and resource intensive for both sides. There is a concern that the private sector has been willing to put resources into these early pioneering deals, but may be less willing to do so in the future.
- 3.24 As most of these agreements are very new, there is not yet sufficient evidence to measure their long term success. Given their potentially significant impacts, there is a need for sources of information and advice for local authorities considering this option. The taskforce welcomes the proposals in the DTLR-led R&D programme ‘*Supporting Strategic Service Delivery Partnerships in Local Government*’ which look to address this issue.

## Gateways for high risk procurements

- 3.25 Local authorities are involved in a variety of procurement projects which carry significant risks, either due to high value, complexity or the consequences of failure. A robust project management system is needed to give these projects the greatest prospects for successful completion and so that projects which are not in good shape can be revised or, if necessary, abandoned.
- 3.26 An independent review process at key stages during the planning and implementation of projects is used widely in the private sector and has now been developed by the Office of Government Commerce (OGC) for use in central Government as the Gateway process. A similar approach could be usefully applied in local government to support good project management, though it will need to be adapted to suit the local government context.
- 3.27 Any tools developed centrally to support local authorities develop good projects should be made available for them to use on a voluntary basis. Local authorities should remain responsible for developing and managing their own projects and for bringing them to market.
- 3.28 Project management tools need to be flexible and proportionate, to accommodate the wide range of projects undertaken. A Gateway process for local government should not be overly complex or have over-elaborate processes. It should build on the good practice already used in many local authorities. It should be used because local authorities find that it improves the quality of their projects.
- 3.30 The value and credibility of a Gateway process for local government will depend on the quality of those who do the reviews. Before a Gateway process is introduced there must be systems in place to recruit and train people with the necessary skills.

### **RECOMMENDATION 26**

**The LGA and DTLR should explore how a Gateway project review process can be developed to support local authorities who are involved in major, complex or high risk projects. It should include a strategy for providing high quality project review teams with an understanding and experience of the commercial sector. It should take advantage of the work done by OGC.**

## CHAPTER 4

# The framework for procurement

## Standing orders and other internal rules

- 4.1 Some suppliers have expressed concerns that local authorities' standing orders in relations to contracts encourage local authorities to select on the basis of lowest price rather than quality and whole life costs. This may be partly due to a presumption within standing orders that the lowest bid will be accepted, often coupled with more onerous requirements to seek approval if an officer wants to recommend a different option. This presumption can have a useful role in supporting probity and good governance, but there should be a well-understood process for getting approval to choose bidders who do not offer the lowest price, where this can be justified.
- 4.2 Standing orders have also been blamed for preventing authorities from making timely and effective decisions. This can be caused by prescriptive requirements on the procurement process, including the number of bidders and the thresholds for delegated decision making. Standing orders which set out a requirement for a competition in all cases may prevent local authorities from using joint procurement or framework agreements set up by others.
- 4.3 However the taskforce found little evidence to suggest that the contents of most standing orders are a significant barrier to effective procurement. In many cases the difficulty arises from an interpretation or misunderstanding of standing orders. This perception of what standing orders require is nevertheless harmful in itself if it discourages officers from using the best approach. As local authorities own their standing orders, it is sensible that they should revise them as necessary to incorporate the principles of good procurement.
- 4.4 The statutory guidance made under the best value provisions of the *Local Government Act 1999* (DETR circular 10/99) already requires local authorities to review their standing orders to ensure they comply with the duty of best value. As best value and procurement are closely related, local authorities who revise their standing orders to fit with best value should find that they are already considering issues relevant to good procurement. This may not require substantial changes to the underlying rules. It may be more important to change the style and approach in the documents, to make them more positive in promoting good practice.

### RECOMMENDATION 11

**Local authorities should review their standing orders to ensure they promote efficient and effective procurement whilst maintaining safeguards of probity and good governance. Standing orders should be used positively to encourage good practice. Changes to standing orders should be accompanied by an effective education programme.**

## Inspectorates and auditors

- 4.5 Local authorities are now subject to a number of inspections, including those from a new Best Value Inspectorate. Many of these relate directly to the procurement activities of local authorities. These inspections should be proportionate, related to outcomes and directed to improvement.
- 4.6 Some local authorities have expressed concern that best value inspections do not take a sufficiently strategic view of procurement. The Audit Commission has pointed out that, within the statutory obligation to review all services in a five year period, local authorities

have freedom to set out their own programme of reviews, including their number and scope, and these programmes determine the pattern of inspection.

- 4.7 The recent Audit Commission publication 'Another Step Forward', which looks ahead to the second year of best value inspections, encourages authorities to focus on fewer, better, more strategic reviews. We welcome this; local authorities should take the opportunity to look again at their own review programme to make sure it provides for the broad strategic reviews which are most likely to produce innovative solutions and significant improvements.
- 4.8 Local authorities emphasise the importance of inspectors having the necessary skills to understand strategic procurement and the complex nature of some procurement exercises. Inspectors will need to learn from the first year of best value inspection and to develop the skills required to assess these projects, if inspections are to add real value. An Audit Commission management paper on reviewing strategic procurement has been commissioned. The Commission also intends to produce and make public new advice to auditors and inspectors, to guide them in their respective roles in relation to procurement. This is expected before the end of 2001. With this advice in the public domain, those who are subject to audit and inspection will be better able to understand what scrutineers are being asked to do and will be in a position to challenge processes which do not follow this guidance.
- 4.9 Some suppliers have also expressed concern that internal and external auditors discourage innovative and effective procurement. Good procurement practices such as greater use of negotiation, and an emphasis on quality and whole life costs rather than price, are viewed as reducing transparency in the procurement process. However, few local authorities who provided evidence to the taskforce expressed the view that auditors unreasonably limit their ability to use effective methods of procurement. Many said they have a good relationship with their auditors in which these issues are discussed and an acceptable approach agreed. The key to success here is to avoid surprises: local authorities should tell the auditors what they want to do and keep them informed from the outset.
- 4.10 The Public Audit Forum paper '*Implications for Audit of the Modernising Government Agenda*,' published in April 1999, addressed many of these issues. It said that auditors 'will not stifle worthwhile innovation designed to lead to improvements both in the services themselves and in the results which these services are intended to achieve'. The Audit Commission has told the taskforce that it is encouraging a move in public audit from risk aversion towards the risk assessment model which has largely been adopted in the private sector. This is welcome and long overdue. It is important for auditors and local authorities to understand that the risk of poor performance from not changing is as significant as other risks.
- 4.11 Local authorities will be greatly helped if the activities of the Inspectorates can be co-ordinated with those of the auditor, and their respective roles made clear to local authorities. We accept that auditors and inspectors have different jobs – the former emphasising propriety, good governance and effective arrangements for managing performance and the latter looking more towards outcomes – which make it impossible to guarantee that both will always share the same view of an activity. However there are significant areas of overlap between the two functions which make a common or co-ordinated approach possible and helpful.

#### RECOMMENDATION 12

**The Audit Commission should guide and train auditors and inspectors to support a strategic approach to procurement. This should emphasise a risk-based approach and aim to equip auditors and inspectors to deliver effective scrutiny in a mixed economy of service provision. The Audit Commission should continue to review its experiences of significant and large procurement exercises and disseminate the lessons learnt from them.**

#### RECOMMENDATION 13

**To help local authorities, the Audit Commission should clarify the roles of inspectors and auditors in relation to procurement and seek to co-ordinate their activities locally.**

## European public procurement rules

- 4.12 European public procurement rules are detailed and prescriptive. At best the rules are cumbersome and compliance with them is time-consuming. At worst they (or people's perceptions of them) can hamper good procurement. Even procurement experts are unclear about what is or is not allowed. Local authorities have particular concerns about the legality of framework arrangements and of the use of negotiation both before and after the first advertisement is placed. Local authorities would like central Government to give a clear lead on how the rules should be interpreted.
- 4.13 The current balance in the rules is in our view too heavily weighted towards setting out detailed processes to ensure open competition (not always effectively) at the expense of efficient and effective procurement. Local authorities need the ability to negotiate with potential suppliers, within a sensible and flexible framework, where this is clearly the most effective technique for getting the best possible deal.
- 4.14 However, local authorities need to avoid the view that the current rules present an insuperable barrier to using good procurement techniques. If they plan well, councils can procure in a sensible and effective way while also meeting the requirements of the current rules.

### RECOMMENDATION 35

**Government should give a clear lead on how intelligent procurement might be achieved within the European public procurement rules.**

### RECOMMENDATION 36

**Changes are required to the European public procurement rules to simplify them and make them more flexible. Changes should support the setting up of framework arrangements and greater use of discussion and negotiation.**

## Buying consortia

- 4.15 Two thirds of local authorities use consortia to buy some items. Consortia take several different forms. Some are joint committees under section 101 of the *Local Government Act 1972*. Others are 'virtual' organisations, where authorities agree to collaborate according to protocols and a lead authority will act on behalf of the others for each contract. Some individual local authorities also trade beyond their borders.
- 4.16 Published figures are not available for the value of local authority spending through consortia but a rough estimate puts it at around £1.1 billion per year, out of an estimated £25 billion spent on bought in goods and services. Consortia concentrate largely on providing common items, particularly goods and commodities, where it is easier to agree on a standard specification.
- 4.17 The taskforce found few examples of consortia taking the lead in bringing local authorities together jointly to commission significant service contracts.
- 4.18 Most consortia have a geographical basis, though some cover large areas and many overlap. With a few exceptions, the existing consortia appear to have fairly fixed memberships and boundaries and view competition for customers within their patch as 'predatory' and improper.
- 4.19 Most consortia either have their own stores and distribution organisations or use the stores and distribution arrangements of member authorities. Few are based on direct delivery from suppliers. It is likely that traditional stores-based systems will come under increasing pressure from the growth of e-commerce, with the development of on-line catalogues and simplified processes for placing orders and making payments. E-commerce may also reduce

the need for large stores by speeding up the process and allowing for more direct delivery from suppliers. Consortia will need to match the benefits of these new arrangements, in both price and other areas, if they are to retain existing business and win new business.

- 4.20 Many consortia, as well as supplies functions within individual local authorities, rely heavily on schools as customers. Schools now have most of their budget delegated under Fair Funding. The Consortium for Purchasing and Distribution estimates that 4.3% of delegated schools budgets, totalling £1.1 billion, is spent on educational supplies (inc. furniture, ICT, stationery, teaching materials and books). There is a concern that some schools do not recognise or accept the benefits of consortia and have stopped using them since budgets were delegated.
- 4.21 Local authority consortia, as well as individual local authorities wishing to supply services to others, are currently restricted in their trading activities by the *Local Authorities (Goods and Services) Act 1970* and other legislation. This 1970 Act is one of the constraints on some joint and partnership activities which could improve efficiency and effectiveness. DTLR has published a consultation paper on proposed changes to the law in this area. While it is important to retain proper safeguards to protect taxpayers, the changes should be sufficiently bold to allow real innovation when this can deliver good results.
- 4.22 Consortia can aggregate demand and increase leverage to get better deals and have provided practical examples of local authorities working together to get better value. The achievements of officers, often with limited support from senior level officers or members, in building up these procurement groups should be recognised, as should the benefits which these consortia have delivered. However it is not clear that the existing consortia, in their current forms, are suited to the task of delivering strategic collaboration between local authorities, particularly in the service area.
- 4.23 Consortia with fixed memberships and quasi-monopoly status within their boundaries will lack the incentives to improve and adapt to new developments. To retain business, consortia should have to match or beat the efficiency of others in the market, in cost, delivery times and flexibility of ordering and payment. Many consortia also appear to operate with a large degree of independence of the local authorities who own them, while at the same time enjoying a status as preferred supplier to those same local authorities. It is important that consortia are submitted to the same tests of value for money that local authorities apply to other providers of services. To make them more transparent and more accountable, they should publish data to allow local authorities to assess their performance and compare them with each other and with other suppliers.
- 4.24 The purchasing consortia are nevertheless likely to remain predominantly buyers of large volume, low value commodities. Local authorities will need to develop other fora for driving through higher level strategic partnerships to deliver services.

#### **RECOMMENDATION 37**

**Central government should use the opportunity presented by the recent review of legislation on partnership working to relax restrictions which prevent effective joint delivery of goods, works and services.**

#### **RECOMMENDATION 23**

**Buying consortia should publish annual accounts and performance information which is sufficient to allow local authorities to make informed decisions.**

#### **RECOMMENDATION 24**

**Buying consortia should review their services and their structures in the light of the need to retain and win new business in a competitive environment. They should pay particular attention to meeting the needs of smaller councils.**

## Extracts from the written evidence

### ON THE SKILLS NEEDED IN PROCUREMENT OFFICERS

Local authorities have many officers who are skilled in procurement and who will rise to the challenges provided by an initiative to increase the standard of procurement activity. However, those officers need support and guidance in order to maximise their focus on the tasks in hand. *(Professional support organisation)*

Skills need to be business and market focussed, not just process focussed. Local government does not have a wealth of procurement skills; greater cross-authority sharing of skills is the way forward, particularly for smaller councils. *(Local Authority)*

We need staff with a greater understanding of corporate goals and needs and ability to compare our needs with what the market has to offer or how the market could be developed. *(Local Authority)*

Contract management skills are still scarce in the public sector but this is a real growth area under best value and the increasing use of partnering. Striking the right balance between knowledge of service requirements and broader skills of negotiation, influencing and performance management, is key. *(Local Authority)*

### ON THE ROLE OF NON-PROCUREMENT STAFF

Experience shows that staff involvement in the process and their trust of that process is paramount to the success of any contract. *(Local Authority)*

Employee involvement is a requirement of Best Value and is an essential means of delivering continuous improvement. Employees know how the organisation functions and usually have a view on how the quality of the service to the public can be improved: they are best placed to assist in the evaluation; they are best placed to know what will work and what will not; they are the ones who deal with service users and, therefore, understand what is required to make a service more responsive to the needs of users. *(Professional support organisation)*

A procurement related to services is likely to have a significant related staffing issue, whether the service is directly provided or delivered by a contractor. Notwithstanding the legal aspects of TUPE and pension provision, staff motivation, commitment and retention contribute to successful performance and they are a rich source of ideas for improvement and innovation.

Engagement of staff in the procurement process will help to ensure these aspects are managed and that effective communication is maintained, to minimize speculation and the natural concerns that staff will have about major change. *(Local Authority)*

Staff generally understand the implications of tendering their service and have much to contribute towards a positive outcome. It is important that they are given the opportunity to contribute to the contract preparation and are involved/represented throughout the tendering process. (*Local Authority*)

## CHAPTER 5

# Staff skills and training

## Workforce issues

- 5.1 A motivated and skilled workforce is crucial to the delivery of quality services. Good procurement must take into account the ability of a contractor to provide staff with the qualities necessary to do the job well. Local authority clients will want to evaluate contractors' abilities to recruit, train and retain such staff. Amendments to Part II of the *Local Government Act 1988* made by the *Local Government Best Value (Exclusion of Non-Commercial Considerations) Order 2001* make this possible by removing barriers to local authorities acting as any other intelligent client would in taking account of these matters when selecting a tenderer.
- 5.2 Staff are naturally anxious about transfers out of the public sector and the impact this may have on terms and conditions of employment, including pensions. Recent Government measures have sought to provide extra protection for staff who transfer out of the public sector as a result of a decision to outsource a service.
- 5.3 The approach adopted in the public sector to TUPE has reduced concerns for existing staff who transfer out of the public sector. The policy set out in the Cabinet Office document *Staff Transfers in the Public Sector: Statement of Practice* includes a presumption that TUPE will apply unless there are good reasons why it should not. The guidance is not binding on local authorities but DTLR and the LGA have recommended that all councils should adopt it.
- 5.4 Pension issues are another major concern of staff who face a transfer out of the public sector. The Local Government Pension Scheme (LGPS) has been amended to allow private contractors to seek Admitted Body Status. This allows staff employed by private contractors on contracts to provide services to local authorities to remain within or to join the LGPS. However, some contractors have expressed concerns at their ability to integrate such staff within their organisations, particularly where they intend to deliver services to a range of public and private organisations. The rules for admittance to the local government pension scheme say that staff must be 'employed in connection with' the public sector service in order to remain within the LGPS. This may create restrictions, particularly for contractors who intend to develop services for a range of customers, but there is no hard evidence that this has yet been an inhibiting factor.
- 5.5 Clients and contractors should understand and make use of these provisions. By protecting the legitimate concerns of staff, they can help deliver projects which offer best value for citizens. However, it will be necessary to monitor how these protections operate over the longer term after a transfer and in particular on retender of a contract. On occasions, local authorities are noticeably less concerned about workforce issues, and in particular less insistent on the application of TUPE, on the retender of a contract than they are at the initial outsourcing. This could be detrimental to staff and to the original contractors who accepted their obligations to employees when the contract was first awarded.

- 5.6 Employees can make a significant contribution to service reviews and procurement processes. They will usually have a very good understanding of the nature of the current service and the needs of service users. Local authorities will wish to make the most of this pool of knowledge and encourage employees' involvement at key stages.
- 5.7 In turn, employees and their representatives should take a positive role in service reviews and procurement exercises, looking with an open mind at all the options, including partnerships and outsourcing. Services provided at public expense are for local people rather than for the convenience of those who provide them, whether they be local authorities or contractors. The workforce should be engaged in the search for better ways of doing things and should support solutions which offer the best outcomes for local people.
- 5.8 Staff will need training for their role in reviewing service delivery and assessing procurement options. Some local authorities have begun to provide this. Trade unions could also provide training for their members, so that they can participate effectively.

### **RECOMMENDATION 3**

**Local authorities should adopt policies which ensure the effective involvement of staff in service reviews and in the procurement process.**

### **RECOMMENDATION 38**

**Local authorities and contractors should understand and make best use of statutory and non-statutory arrangements to protect the legitimate interests of staff during transfers, including TUPE regulations, the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector and the provisions to allow admission to the local government pension scheme.**

### **RECOMMENDATION 39**

**Central government and the LGA should set up arrangements to monitor the effects of TUPE and the workings of the local government pension scheme regulations, which particularly look at what happens on subsequent retender of contracts.**

## **Skills and training for staff with procurement responsibilities**

- 5.9 Local authorities lack enough people with the right skills to implement a programme of radical improvement in their procurement functions. Authorities often appear dependent on one individual to provide expertise on procurement issues across the organisation. In many cases the officers given this responsibility are expert in buying goods but may not have the range of skills needed to develop the strategic approach to procurement described in this report.
- 5.10 A simple target to increase the numbers of staff with qualifications will not necessarily be very effective in providing the skills needed. The training courses and qualifications currently available should be assessed for suitability for local government needs. Courses may need to be designed specifically for this market.

- 5.11 Local authorities do not just need the right skills – they need them in the right places. High value/high risk contracts are often let by people with no procurement training, while procurement officers are often perceived as buyers of low value high volume goods and services. An effective training programme should start by mapping the different skills required throughout the organisation and should follow from the analysis of procurement activities described in Recommendation 8. This should include staff in service areas who buy core items, staff located in central procurement functions and senior officers, including the Chief Executive and Finance Director.
- 5.12 On the job training is as important as attendance at courses and qualifications. Local authorities need to ensure that staff are given the opportunity to learn from procurement exercises, either by working with others from within the authority or with external advisers brought in to support a project.
- 5.13 For the largest projects it may never be realistic to build up sufficient in-house resources to be self-reliant. A local authority may only do one such deal every few years and will need to buy in expertise. But it will need the capability to manage its advisers, assess the advice it is given and make its own decisions.
- 5.14 Local authorities find it difficult to retain officers with procurement skills. In particular, officers who gain valuable skills during a major procurement project often move between authorities or transfer to the private sector. Retention should be helped by recognising the importance of procurement. This should raise the quality of the work and the level of interest shown in it. It should also create a better career path for procurement specialists within the organisation. A training programme will also raise the total pool of skilled people within local government and so reduce the competition between authorities for skilled staff.

#### **RECOMMENDATION 14**

**Each local authority should identify all those engaged in procurement within the organisation and identify the skills needed in each post across the authority. It should set out a strategy to meet these needs, including recruitment of suitable staff, training, and ways of retaining trained staff.**

#### **RECOMMENDATION 15**

**The Improvement & Development Agency (IDeA) and the Local Government Employers Organisation (EO) should lead on developing a suite of training programmes. This should particularly be developed in partnership with the Chartered Institute of Purchasing and Supply (CIPS) and the Society of Purchasing Officers in Local Government (SOPO). This should build on the work done by the Office of Government Commerce (OGC).**

#### **RECOMMENDATION 16**

**Pump-priming funding should be provided to support the development of training programmes and to subsidise costs of local government staff who use the courses. This could be provided through the IDeA or EO as part of the annual settlement or through the funding referred to in recommendation 18.**

# CHAPTER 6

## E-procurement

- 6.1 Electronic procurement has the potential to bring significant benefits, but it should always be introduced as a means of implementing good procurement principles, not as an end in itself or solely to meet targets. Local authorities need to ensure that they have fully thought through their e-procurement strategy. There are many aspects to e-procurement beyond the obvious applications such as electronic shopping. It should cover issues including electronic tendering, supplier and contract management and a feedback facility for citizens to comment on contractor performance, as well as the on-line catalogue, requisitioning and payment capabilities. The interface with business will be critical and it is important that business is on board with what the local authority is trying to achieve.
- 6.2 E-procurement and e-commerce systems are particularly suited to controlling spending on low value and routine commodities. In the short to medium term, greatest gains may come from reducing the transaction costs of buying these items, which a number of sources suggest make up a high proportion of the total costs. There will also be scope for obtaining lower prices through aggregation, but this may be limited for organisations who are already buying commodities in an aggregated manner in a competitive market.
- 6.3 The main applications at present appear to be centred around electronic catalogues and in developing back office systems. One third of local authorities responding to the *Research Report* say they use electronic catalogues, but orders are usually placed in more traditional ways, by fax or phone. No examples were found of back-office systems which fully integrated ordering and payment processes.
- 6.4 A few local authorities are considering the potential of e-commerce solutions for service contracts, but at present this is largely limited to placing advertisements. Electronic tendering, on-line contract management and electronic systems for gathering feedback from service users on contract performance all appear to have the potential to improve the procurement of service contracts. None has yet been widely adopted.
- 6.5 Purchasing cards are a simple form of e-procurement which can be used without large investment in technology and can reduce transaction costs. In the *Research Report* 13% of local authorities said they use procurement/purchasing cards. There are issues of audit, risk and security to be resolved, but these are not insuperable. The capture of management information from them is another difficulty which needs to be resolved. BACS payment of suppliers is another simple form of e-commerce which can reduce transaction costs. 78% of local authorities responding to the *Research Report* said they pay suppliers through BACS.
- 6.6 Projects have been proposed or launched recently which are intended to provide more sophisticated e-procurement solutions for local government, including those with a virtual 'shopping mall' which will bring together a number of suppliers in one place. E-solutions which fully integrate back office systems into an e-provider's platform and catalogues appear to offer the greatest potential to reduce transaction costs. But there are clear risks in locking a local authority into one all-embracing solution. Most authorities appear to share this concern. Many are initially looking for models which require less ambitious re-engineering of their systems and which allow them to retain an ability to shop around among the various suppliers and catalogues.

- 6.7 E-commerce can provide better management information, by gathering data on spending and performance in a timely fashion. The value of this electronic application will again depend on having good systems in place to use this information in an intelligent way to improve performance.
- 6.8 Many local authorities fear either making expensive mistakes, or adding to a proliferation of incompatible systems, many of which may quickly become obsolete. However, it is difficult to support one particular e-solution. There is not enough evidence at present to say with confidence which proposals will succeed and which will fail. It would therefore be rash now to encourage widescale adoption of a particular solution. It is also important to ensure that e-procurement does not harm competition. It will not be in the best long term interests of local authorities for one provider to dominate the field. It is better to encourage a variety of providers to come into the market.
- 6.9 Local authorities have concerns about the effects of e-procurement on local suppliers. It appears likely to favour larger firms who can invest in the technology needed to provide an electronic interface. Electronic catalogues may reduce spending with local outlets. Those developing electronic platforms should consider the needs of small and medium sized enterprises and look for ways to help them join e-platforms, to ensure that they are not denied access to this market.
- 6.10 The major inhibitors to greater adoption of e-procurement cited by local authorities in the *Research Report* are: the costs of investment; audit and fraud issues; lack of suppliers able to do business this way; lack of skills and knowledge; resistance to change within the authority. Each of these areas needs to be tackled by initiatives such as the Local Government Online if they are to succeed in promoting early and wide adoption of electronic means within local government procurement.

#### **RECOMMENDATION 17**

**Local authorities should increase their use of simple forms of e-procurement such as purchasing cards and BACS payments. They should adopt a modular approach to the implementation of e-procurement solutions.**

#### **RECOMMENDATION 19**

**Government funding for e-solutions (such as Local Government Online) should be used to support the development of a variety of different e-procurement models in local government. Projects should be designed to encourage joint working between local authorities.**

# CHAPTER 7

## Incentives and drivers

- 7.1 The main motivation to improve procurement is each local authority's own desire to provide better services and reduce costs. This is driven by the expectations of service users. Without a will within the organisation to change and improve, it is unlikely that external pressures will be effective.
- 7.2 Nevertheless, local authorities need a financial framework within which they can plan over a longer term and which allows them to retain the gains they make from improved performance. This requires greater stability of funding, a principle endorsed in the Green Paper 'Modernising Local Government Finance'. If this is introduced, together with a robust guarantee that efficiency savings will not be clawed back in future years, it could help to transform the culture within local authorities by introducing real incentives to improve performance.
- 7.3 Specific financial incentives have the potential to distort the market and should be used with caution. Incentives should not make one procurement method or approach disproportionately attractive. Funds should be designed to minimize the risk of local authorities choosing procurement methods to fit the funding, rather than seeking funding to support good procurements. This can best be done by providing a balance of capital and current funding and by relating funding to outcomes rather than procurement methods. Those administering funds should recognise that back office functions can have as much or more impact on the services received by users as do functions which directly mediate between users and their councils.
- 7.4 There are a number of existing funding streams which could be used to pump prime some of the changes recommended in this report. These include PFI, the Capital Modernisation Fund, Invest to Save and Local Government Online. Government should ensure that these different funds work together to support an integrated approach to improvement across local government rather than isolated one-off projects. Where possible, funds should be rationalised in a way that allows fund administrators to consider the impact in the round and to connect procurement funding to other aspects of improving local government performance. This report makes clear that procurement cannot be looked at in isolation.
- 7.5 Freedoms can also act as significant incentives. The proposals for relaxing the controls on local authority companies and trading would allow innovation and more joint working and should be implemented as soon as possible.

### RECOMMENDATION 18

**Government should consolidate its funding for improvements in local government's capacity into a single fund, designed to provide both revenue and capital support on a pump-priming basis for key priorities. Such a fund could usefully absorb the resources currently made available in support of PFI projects so as to allow a wider range of partnership options related to outcomes to be pursued.**

# ANNEX A

## Terms of reference

To review the state of procurement and commissioning skills and practice in local government in the light of the requirements of Part 1 (Best Value) of the *Local Government Act 1999* and its objective of continuous improvement in the economy, efficiency and effectiveness of local services; and to make recommendations.

## Taskforce membership

Chairman	Sir Ian Byatt Senior Associate, Frontier Economics
Vice-chairman	Sarah Wood Director of Finance and Performance Review, Birmingham CC
Members	Neil Argyle Associate Director, NHS Purchasing & Supply Agency Iain Beaton Former Assistant Chief Executive, St Helens MBC Jo Blundell Marketing Director, SERCo Government Services Gareth Davies Regional Director of District Audit, Audit Commission Ian Elliott Director of Engineering, Severn Trent Water Ltd Richard Footitt Head of Local Government Competition & Quality Division, DTLR Mike Grealy Deputy Director of Local Government Finance, LGA Helen Randall Senior Solicitor, Nabarro Nathanson Tony Wiltshire Head of Procurement, Leeds City Council
Secretariat	Stephen Edwards DTLR  Lourdes DeBarry LGA
Research support	Demelza Birch DTLR

# ANNEX B

The following organisations submitted evidence to the taskforce:

## Local authorities

Barking & Dagenham	Bradford	Buckinghamshire
Cambridgeshire	Camden	Coventry
Croydon	Dorset	East Sussex
Essex	Forest Heath	Gateshead
Havant	Hertfordshire	Hereford & Worcester Fire Brigade
Kent	Leicester	Leicestershire
Norfolk	Northamptonshire	Plymouth
Restormel	Richmondshire	Sefton
Spelthorne	South Norfolk	Suffolk
Surrey	Sutton	Tower Hamlets
Warrington	Warwickshire	Wellingborough
West Berkshire	West Lancashire	

## Other organisations

AEA Technology Environment  
Association for Public Service Excellence  
Association of Contract Services Chief Officers  
Association of Council Solicitors & Secretaries  
Babtie Group  
Bar Association for Local Government  
Barony Group  
Bone & Robertson Quality and Value Management Consultants  
British Cremation Authorities  
British Telecommunications  
Business Services Association  
Capita  
Central Buying Consortium  
Chartered Institute of Purchasing and Supply  
Chartered Institute of Public Finance and Accountancy  
Civil Engineering Contractors in England  
Commission for Architecture & the Built Environment  
Comparator Ltd.  
Compass Group  
Competitiveness Joint Committee  
Confederation of British Industry  
Consortium for Purchasing and Distribution  
Construction Confederation  
Constructors Liaison Group  
CSS Service Provision Group  
Department for Culture, Media & Sport

Department for Employment & Education  
Department of Trade Industry  
Electrical Contractors Association  
Eversheds Solicitors  
Fire Brigades Union  
Improvement and Development Agency  
Institute of Public Finance  
Institute of Value Management  
Institution of Civil Engineers  
Institution of Highways & Transportation  
Leisure Management Contractors Association  
Local Government Ombudsman  
Local Government (Construction) Task Force  
Mondus Ltd.  
New Local Government Network  
North Tyneside Construction Partnership  
Oxfam  
Public Private Partnerships Programme (4Ps)  
Ringway Highway Services  
SCALA  
Serviceteam  
Society of Chief Quantity Surveyors  
Society of Purchasing Officers in Local Government  
Trades Union Congress  
Unison  
United Response  
Valcor  
World Wildlife Fund

## ANNEX C

# Subjective analysis return

The SAR, which is sent to a sample of local authorities, is linked to the well-established Revenue Outturn (RO) suite of forms. It requests a more detailed breakdown of pay and expenditure on goods and services (a 'subjective analysis' in local authority accounting jargon). The first form proper accompanied the 1998/9 suite of outturn forms.

The main purpose of SAR is to estimate the breakdown of local authorities' pay costs and the breakdown of their purchases of goods and services. The return is completed by a panel of about one hundred and twenty authorities, a sample of approximately one in four, selected to be representative of all classes of authority. Figures for authorities not included in the sample are estimated using data from the RO suite to provide all-England totals.

**SAR FORM 1999/2000 (£000) – ALL ENGLAND TOTALS GROSSED UP**

	All Services	Education	Social Services	Police	Fire	Local Transport	Waste Collection	Recreation	Admini- stration	Other General Services
1 Education: Pay	11491329	11483289	5797	0	0	0	0	427	96	1720
2 Education: National Insurance	858912	858299	463	0	0	0	0	23	8	119
3 Education: Pensions	817310	816806	413	0	0	0	0	7	8	76
4 Education: London Weighting	111149	111149	0	0	0	0	0	0	0	0
5 Education: Total (Lines 1 to 4)	13278700	13269542	6673	0	0	0	0	457	113	1914
6 Police & Fire: Pay	4292873	0	0	3449798	843075	0	0	0	0	0
7 Police & Fire: National Insurance	357716	0	0	295966	61750	0	0	0	0	0
8 Police & Fire: Pensions	633139	0	0	483913	149226	0	0	0	0	0
9 Police & Fire: London Weighting	89343	0	0	73080	16263	0	0	0	0	0
10 Police & Fire: Total (Lines 6 to 9)	5373071	0	0	4302757	1070313	0	0	0	0	0
11 All Other Staff: Pay	12746862	2330168	3960438	905791	80003	302000	59521	792089	2287441	2029409
12 All Other Staff: National Insurance	870146	144228	253469	63533	5611	23284	4202	51402	171705	152715
13 All Other Staff: Pensions	1210562	225671	341237	66771	9312	31451	4984	74619	235761	220758
14 All Other Staff: London Weighting	142021	21413	30820	18110	2981	4824	650	10392	25950	26881
15 All Other Staff: Total (Lines 11 to 14)	14969587	2721480	4585965	1054205	97908	361558	69357	928489	2720863	2429761
16 Other Pay Related Costs	2115932	469891	182253	716136	204152	53081	4350	29952	203435	252679
<b>17 TOTAL Part A – Pay Estimates (Lines 5, 10, 15 &amp; 16)</b>	<b>35737296</b>	<b>16460914</b>	<b>4774891</b>	<b>6073098</b>	<b>1372374</b>	<b>414639</b>	<b>73707</b>	<b>958904</b>	<b>2924413</b>	<b>2684357</b>
18 Repairs to Buildings	1031680	0	0	0	0	0	0	0	0	0
19 Payments to Contractors	662594	0	0	0	0	0	0	0	0	0
20 Fuel Oil	27555	0	0	0	0	0	0	0	0	0
21 Solid Fuel	6738	0	0	0	0	0	0	0	0	0
22 Electricity	313751	0	0	0	0	0	0	0	0	0
23 Gas	112727	0	0	0	0	0	0	0	0	0
24 Water	120975	0	0	0	0	0	0	0	0	0
25 Cleaning Materials	139324	0	0	0	0	0	0	0	0	0

## SAR FORM 1999/2000 (£000) – ALL ENGLAND TOTALS GROSSED UP (Continued)

	All Services	Education Services	Social Services	Police	Fire	Local Transport	Waste Collection	Recreation	Admini- stration	Other General Services
26	Fixtures & Fittings	40494	0	0	0	0	0	0	0	0
27	Rent	338660	0	0	0	0	0	0	0	0
28	Rates	755281	0	0	0	0	0	0	0	0
29	Other Premises Related Expenses	662586	0	0	0	0	0	0	0	0
<b>30</b>	<b>TOTAL Premises Expenses (Lines 18 to 29)</b>	<b>4212367</b>	<b>1603024</b>	<b>291491</b>	<b>272603</b>	<b>369037</b>	<b>36400</b>	<b>501637</b>	<b>484031</b>	<b>591043</b>
31	Contracted Hire & Pooled Expenses	742905	0	0	0	0	0	0	0	0
32	Vehicle Acquisition	28705	0	0	0	0	0	0	0	0
33	Vehicle Repair & Maintenance	75720	0	0	0	0	0	0	0	0
34	Vehicle Running Costs	164151	0	0	0	0	0	0	0	0
35	Car Allowances/Officers Travelling	394069	0	0	0	0	0	0	0	0
36	Other Transport Related Expenses	325105	0	0	0	0	0	0	0	0
<b>37</b>	<b>TOTAL Transport Expenses (Lines 31 to 36)</b>	<b>1730655</b>	<b>656373</b>	<b>325041</b>	<b>163554</b>	<b>165147</b>	<b>53925</b>	<b>44672</b>	<b>91444</b>	<b>169604</b>
38	Equipment, Tools & Materials	1308296	0	0	0	0	0	0	0	0
39	Furniture	96164	0	0	0	0	0	0	0	0
40	Books	301676	0	0	0	0	0	0	0	0
41	Provisions	325373	0	0	0	0	0	0	0	0
42	Milk in Schools	17952	0	0	0	0	0	0	0	0
43	Clothing & Uniforms	58463	0	0	0	0	0	0	0	0
44	Laundry	7733	0	0	0	0	0	0	0	0
45	Printing & Stationery	441016	0	0	0	0	0	0	0	0
46	Exam Fees	98232	0	0	0	0	0	0	0	0
47	Officers Subsistence	61371	0	0	0	0	0	0	0	0
48	Members/Justices Allowances	88780	0	0	0	0	0	0	0	0
49	Postage	124055	0	0	0	0	0	0	0	0
50	Communication Services	353977	0	0	0	0	0	0	0	0

**SAR FORM 1999/2000 (£000) – ALL ENGLAND TOTALS GROSSED UP (Continued)**

	All Services	Education	Social Services	Police	Fire	Local Transport	Waste Collection	Recreation	Admini- stration	Other General Services
51 Computer Services	776978	0	0	0	0	0	0	0	0	0
52 Police & Fire Communications	72463	0	0	0	0	0	0	0	0	0
53 Other Supplies & Services Expenditure	5857314	0	0	0	0	0	0	0	0	0
<b>54 TOTAL Supplies Expenditure (Lines 38 to 53)</b>	<b>9989843</b>	<b>3061243</b>	<b>1481479</b>	<b>657706</b>	<b>96950</b>	<b>911780</b>	<b>326817</b>	<b>676835</b>	<b>1224214</b>	<b>1552817</b>
55 Voluntary Organisations, Private Contractors	8771789	467196	5338469	130365	1397	991951	866360	136394	128364	711293
56 Internal Trading Services (DLO/DISO Payments)	1917486	385584	164291	17741	1091	323625	302107	253462	94945	374642
<b>57 TOTAL Agency Services (Lines 55 &amp; 56)</b>	<b>10689275</b>	<b>852780</b>	<b>5502761</b>	<b>148106</b>	<b>2487</b>	<b>1315575</b>	<b>1168467</b>	<b>389856</b>	<b>223309</b>	<b>1085935</b>
58 Total Transfer Payments (Discretionary)	181689	109450	36126	0	0	5264	0	1609	4933	24307
59 Total Support Services Expenditure/Income	4744946	483809	430419	28744	13016	320306	70510	323023	1023799	2051321
<b>60 TOTAL Part B (Lines 30, 37, 54, 57 to 59)</b>	<b>31548777</b>	<b>6766680</b>	<b>8067318</b>	<b>1270713</b>	<b>236449</b>	<b>3087110</b>	<b>1656119</b>	<b>1937633</b>	<b>3051728</b>	<b>5475028</b>
61 Rental Income	556882	0	0	0	0	0	0	0	0	0
62 Recharges	6371622	0	0	0	0	0	0	0	0	0
63 All Other Income	8659223	0	0	0	0	0	0	0	0	0
<b>64 TOTAL Part C (Lines 61 to 63)</b>	<b>15587727</b>	<b>1839847</b>	<b>2791993</b>	<b>310001</b>	<b>134711</b>	<b>1187090</b>	<b>306536</b>	<b>699270</b>	<b>5752221</b>	<b>2566059</b>
65 Total Part A (Line 17)	35737296	16460914	4774891	6073098	1372374	414639	73707	958904	2924413	2684357
66 Total Part B (Line 60)	31548777	6766680	8067318	1270713	236449	3087110	1656119	1937633	3051729	5475028
67 Total Part C (Line 64)	15587727	1839847	2791993	310001	134711	1187090	306536	699270	5752221	2566059
68 Total Parts A+B-C (Lines 65+66-67)	51698347	21387747	10050215	7033810	1474112	2314659	1423289	2197267	223920	5593326
69 Transfer Payments (Mandatory)	6007033	776339	0	0	0	0	0	0	0	5230694
<b>70 TOTAL (Lines 68 + 69)</b>	<b>57705377</b>	<b>22164086</b>	<b>10050215</b>	<b>7033810</b>	<b>1474112</b>	<b>2314659</b>	<b>1423289</b>	<b>2197267</b>	<b>223919</b>	<b>10824018</b>

# ANNEX D

## Some useful websites

Audit Commission – [www.audit.commission.gov.uk](http://www.audit.commission.gov.uk)

The Cabinet Office – [www.cabinet-office.gov.uk](http://www.cabinet-office.gov.uk)

Chartered Institute of Public Finance and Accountancy – [www.cipfa.org.uk](http://www.cipfa.org.uk)

Improvement and Development Agency – [www.idea.gov.uk](http://www.idea.gov.uk)

Local Government Association – [www.lga.gov.uk](http://www.lga.gov.uk)

Local Government Employers Organisation – [www.lg-employers.gov.uk](http://www.lg-employers.gov.uk)

Office of Government Commerce – [www.ogc.gov.uk](http://www.ogc.gov.uk)

Public Private Partnerships Programme – [www.4ps.co.uk](http://www.4ps.co.uk)

Department for Transport, Local Government and the Regions – [www.dtlr.gov.uk](http://www.dtlr.gov.uk)

HM Treasury – [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)